

9. EARTHQUAKE FINANCIAL REPORT FOR MARCH 2012



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|-------------------------------------|--|
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PURPOSE OF REPORT

1. The purpose of this report is to provide an update to the Council on financial matters relating to the Earthquakes as at 31 March 2012.
2. The report includes an overview on the expected overall financial impact of the earthquakes on the Council.

EXECUTIVE SUMMARY

3. Attached are appendices showing summaries of:
 - March Earthquake net cost and 11/12 forecast (**Appendix 1**)
 - Earthquake life-to-date cost details (**Appendix 2**)
 - Earthquake overall cost forecast (**Appendix 3**)
 - Recoveries summary (**Appendix 4**).

Rebuild Costs

4. Expenditure of \$19.8 million was incurred in March. SCIRT costs amounted to \$20.2 million with a further \$4.9 million relating to stormwater (stopbank) works. Partially offsetting this is a transfer of \$7.1 million of sewer works to response costs following a reassessment of work able to be capitalised.
5. Forecast expenditure for 2011/12 is \$286.8 million, a reduction of \$59.0 million from the December report to the Council where expenditure was forecast to be on budget (\$345.8 million). The reduction relates to the facilities rebuild, with very little expenditure now expected to occur this financial year.

Emergency and Response Costs

6. Response costs of \$18.8 million were recorded in March, principally wastewater temporary maintenance costs of \$16.5 million. A further \$3.6 million relates to stormwater and water supply temporary maintenance works, however offsetting this was a reduction in emergency stormwater expenditure following a reassessment of works able to be capitalised (\$4.6 million).
7. The overall forecast Council net cost for emergency and response costs for 2011/12 is \$53.0 million. This is a decrease of \$7.9 million from the December report to the Council, largely due to the following:
 - (a) a \$5.6 million increase in accrued recoveries in the Emergency Operations Centre (EOC) (Operations and Logistics) following a detailed review of expenditure undertaken in January. This identified prior year costs which were not initially thought to be recoverable, but are now forecast to be recovered in the current year
 - (b) a \$5.0 million reduction in roading as the initial estimate of costs resulting from the December 23 events was subsequently identified as being too high, and was revised down in January as more accurate information became available; and
 - (c) a \$3.8 million reduction in Stormwater costs following a reassessment of works able to be capitalised. Partially offsetting this are wastewater and geotech costs, which are forecast to increase by \$3.1 million and \$3.0 million respectively.

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8. Of the forecast net cost to the Council of \$53.0 million, \$0.9 million is funded from the Earthquake Mayoral Relief Fund (part of Auckland City Council's contribution), the balance will be funded from borrowing.

Building / Infrastructure Improvement Allowance

9. The building/infrastructure improvement allowance is currently set at \$175 million by the Council. To date the following allocations have been approved, leaving a balance of \$157 million. The 2012/13 Draft Annual Plan includes a further \$79.3 million of allocation to the Major Facilities Rebuild Programme. This would leave a balance of \$77.7 million.

| Description | Meeting Date | Value |
|---|--------------|------------|
| Oxidation Ponds | 25/08/2011 | 16,128,000 |
| Temporary Stadium cost contribution Rugby League Park | 08/09/2011 | 1,000,000 |
| Fendalton Library and Service Centre | 16/02/2012 | 190,000 |
| Linwood Community Arts Centre | 15/03/2012 | 35,884 |
| Cowles Stadium | 05/04/2012 | 480,000 |
| Pump Station 37 | 05/04/2012 | 126,000 |

Do the Recommendations of this Report Align with 2009-19 LTCCP budgets?

10. Yes – there are none.

LEGAL CONSIDERATIONS

Have you considered the legal implications of the issue under consideration?

11. Yes – there are none.

ALIGNMENT WITH LTCCP AND ACTIVITY MANAGEMENT PLANS

12. Both service delivery and financial results are in direct alignment with the LTCCP and Activity Management Plans.

Do the recommendations of this report support a level of service or project in the 2009-19 LTCCP?

13. As above.

ALIGNMENT WITH STRATEGIES

14. Not applicable.

CONSULTATION FULFILMENT

15. Not applicable.

STAFF RECOMMENDATION

It is recommended that the Council receive the report.

Appendix 1: Council net cost and 11/12 forecast update as at 31 March 2012

| | | Actual month (\$m) | | | 2011/12 net cost forecast | | |
|---|---|--------------------|-------------|--------------|---------------------------|--------------|--------------|
| | | Cost | Recovery | Net | Current | Last | Change |
| Infrastructure Rebuild (Capex): | | | | | | | |
| | | .0 | .0 | .0 | 26.4 | 23.7 | 2.7 |
| | 1 | (7.1) | (7.1) | .0 | - | - | - |
| | | .1 | .1 | .0 | .5 | - | .5 |
| | 2 | 4.9 | - | 4.9 | 1.6 | 8.9 | (7.3) |
| | | 20.2 | 16.2 | 4.0 | - | - | - |
| | | 18.1 | 9.2 | 9.0 | 28.5 | 32.6 | (4.1) |
| Other Assets and Insured Costs: | | | | | | | |
| | | .0 | .1 | (.0) | 9.1 | 14.0 | (4.9) |
| | 4 | 1.0 | 1.0 | (.0) | 14.4 | 1.6 | 12.8 |
| | 5 | .1 | - | .1 | - | - | - |
| | | - | - | - | - | - | - |
| | | - | - | - | - | - | - |
| | | - | - | - | - | - | - |
| | | .6 | .2 | .3 | 3.8 | 7.4 | (3.6) |
| | 3 | - | - | - | - | - | - |
| | | 1.7 | 1.3 | .3 | 27.3 | 23.0 | 4.3 |
| Emergency & Response Costs (Opex): | | | | | | | |
| | | .7 | 1.6 | (.9) | 4.9 | 8.9 | (4.0) |
| | 6 | (.3) | 1.6 | (1.9) | (.6) | 6.6 | (7.3) |
| | 7 | 11.6 | 9.9 | 1.7 | 5.4 | 5.0 | .4 |
| | | .5 | .4 | .1 | 5.5 | 4.8 | .7 |
| | | 5.1 | 6.8 | (1.6) | 33.0 | 28.9 | 4.1 |
| | | .0 | .0 | .0 | .1 | .1 | (.0) |
| | | .6 | .0 | .6 | 9.3 | 6.0 | 3.2 |
| | | .3 | .1 | .2 | (7.4) | (2.1) | (5.3) |
| | 8 | .6 | - | .6 | 7.6 | 5.9 | 1.8 |
| | | (.4) | - | (.4) | (4.8) | (3.3) | (1.5) |
| | | 18.8 | 20.4 | (1.6) | 53.0 | 60.9 | (7.9) |
| | | 38.6 | 30.9 | 7.7 | 108.7 | 116.5 | (7.8) |

Notes:

- 1) Reassessment of sewer work initially thought able to be capitalised.
- 2) Stormwater recoveries understated by approximately \$4 million. This will be corrected next month.
- 3) Reduction in net cost due to forecast recoveries understated in December. Subsequent information has revealed that some of these costs in these areas are in fact recoverable, hence forecast recoveries have been increased.
- 4) Reduction largely due to the removal of the forecast net cost relating to Council facilities. Expenditure and resulting recoveries were forecast in December to be on budget at year-end, however this has since been removed from the forecast as very little expenditure is now expected to be incurred this financial year.
- 5) Reassessment of recoveries for CWTP ponds. Insurance coverage has a capped limit of \$7.8 million. Infrastructure improvement allowance has been approved to cover potential shortfall.
- 6) Reduction mainly due to the roading costs initially forecast to be incurred as a result of the December 23 events being subsequently revised down in the months following as more accurate information became available.
- 7) Reassessment of stormwater work able to be capitalised.
- 8) Tankered waste revenue significantly higher.

Appendix 2: Life-to-date results as at 31 March 2012

| | Life to Date (\$m) | | | | | | |
|--|--------------------|-------------|-------------|--------------|--------------|-------------|--------------|
| | Cost | Accrued | | Recoveries | | Balance | |
| | | Civic | LAPP | DIA/CERA | NZTA | Other | Council |
| Infrastructure Rebuild | | | | | | | |
| Roading | 1.3 | - | - | - | .9 | - | .3 |
| Sewer | 15.0 | - | 6.0 | 9.0 | - | - | .0 |
| Water | 4.9 | - | 1.8 | 2.6 | - | - | .5 |
| Stormwater | 16.9 | - | 2.8 | 5.9 | - | - | 8.2 |
| SCIRT setup and overhead costs unallocated 1 | 194.7 | - | 38.9 | 58.4 | 58.4 | - | 38.9 |
| Total | 232.8 | - | 49.5 | 76.0 | 59.4 | - | 48.0 |
| Other Assets and Insured Costs: | | | | | | | |
| Buildings and Facilities (Civic Assurance) | 7.1 | 2.2 | - | .0 | - | .0 | 4.9 |
| Sewer above-ground assets (Civic Assurance) | 12.6 | 11.9 | - | - | - | - | .6 |
| Water above-ground assets (Civic Assurance) | .3 | - | - | - | - | - | .3 |
| Stormwater above-ground assets (Civic Assurance) | - | - | - | - | - | - | - |
| Park Facilities (Civic Assurance) | - | - | - | - | - | - | - |
| Council Buildings / Infrastructure improvement allowance | - | - | - | - | - | - | - |
| Uninsured Assets (Parks, Stormwater) | 1.1 | .2 | - | - | .5 | - | .5 |
| Insurance Excesses | 8.0 | - | - | - | - | - | 8.0 |
| Total | 29.1 | 14.3 | - | .0 | .5 | .0 | 14.3 |
| Emergency & Response Costs: | | | | | | | |
| Roading Emergency Work | 89.2 | - | 2.2 | 3.3 | 63.2 | .0 | 20.5 |
| Welfare and other Emergency Work | 67.1 | - | 12.8 | 54.0 | - | .0 | .3 |
| Other Response Costs | 53.3 | 18.7 | - | 15.4 | 1.8 | 3.3 | 14.1 |
| Roading Temp Maintenance Works | 31.6 | - | .0 | .0 | 22.5 | .0 | 9.1 |
| Non-Roading Temp Maintenance Works | 144.0 | .0 | 27.9 | 87.5 | - | 2.9 | 25.6 |
| Demolition Costs | 10.5 | - | - | 6.2 | - | .1 | 4.2 |
| Rockfall | 15.9 | - | - | 6.6 | 1.0 | .0 | 8.3 |
| Increased Costs of Working 2 | (2.1) | 2.6 | - | - | - | 4.9 | (9.6) |
| Staff/Other internal costs charged to Emerg/Resp | 46.8 | - | - | - | - | - | 46.8 |
| Less costs budgeted in Council activities | (36.4) | - | - | - | - | - | (36.4) |
| Total | 419.9 | 21.3 | 43.0 | 173.0 | 88.5 | 11.3 | 82.8 |
| Grand Total | 681.8 | 35.6 | 92.5 | 249.0 | 148.3 | 11.3 | 145.1 |

Notes:

- 1) SCIRT setup and overhead costs will be allocated over infrastructure assets upon job completion.
- 2) Credit driven by extra tankered waste revenue and credit from Civic Offices rental rebate.

Appendix 3: Life forecast

| | Life forecast (\$m) | | | | | | |
|--|---------------------|--------------|--------------|--------------|--------------|-------------|--------------|
| | Cost | Recoveries | | | | | Balance |
| | | Civic | LAPP | DIA/CERA | NZTA | Other | Council |
| Infrastructure Rebuild | | | | | | | |
| NZTA-subsidised roading (excl State Highways) | 842.4 | - | - | - | 699.2 | - | 143.2 |
| Non-subsidised roading (excl State Highways) | 164.3 | - | - | - | - | - | 164.3 |
| Sewer | 694.0 | - | 277.6 | 416.4 | - | - | - |
| Water | 140.1 | - | 56.0 | 84.1 | - | - | - |
| Stormwater | 66.5 | - | 26.6 | 39.9 | - | - | - |
| LAPP liability limitation | - | - | (196.2) | - | - | - | 196.2 |
| SCIRT setup and overhead costs unallocated | - | - | - | - | - | - | - |
| Total | 1,907.3 | - | 164.1 | 540.4 | 699.2 | - | 503.7 |
| Other Assets and Insured Costs: | | | | | | | |
| Buildings and Facilities (Civic Assurance) | 463.4 | 452.8 | - | - | - | - | 10.6 |
| Sewer above-ground assets (Civic Assurance) | 103.1 | 103.1 | - | - | - | - | - |
| Water above-ground assets (Civic Assurance) | 26.6 | 26.6 | - | - | - | - | - |
| Stormwater above-ground assets (Civic Assurance) | .9 | .9 | - | - | - | - | - |
| Park Facilities (Civic Assurance) | 4.0 | 4.0 | - | - | - | - | - |
| Council Buildings / Infrastructure improvement allowance | 175.0 | - | - | - | - | - | 175.0 |
| Uninsured Assets (Parks, Stormwater) | 87.2 | - | - | - | - | 8.0 | 79.2 |
| Insurance Excesses | 23.9 | - | - | - | - | - | 23.9 |
| Total | 884.1 | 587.4 | - | - | - | 8.0 | 288.8 |
| Emergency & Response Costs: | | | | | | | |
| Roading Emergency Work | 87.8 | - | 2.2 | 3.3 | 63.9 | .0 | 18.3 |
| Welfare and other Emergency Work | 73.9 | - | 13.2 | 55.0 | - | .0 | 5.8 |
| Other Response Costs | 51.4 | 22.4 | - | 11.8 | - | 3.2 | 14.0 |
| Roading Temp Maintenance Works | 65.0 | - | .0 | - | 41.0 | .0 | 24.0 |
| Non-Roading Temp Maintenance Works | 220.4 | - | 28.7 | 125.4 | - | 11.4 | 54.9 |
| Demolition Costs | 10.5 | - | - | 5.9 | - | .1 | 4.5 |
| Rockfall | 55.0 | - | - | - | 1.2 | - | 53.8 |
| Increased Costs of Working | 6.0 | 3.0 | - | - | - | - | 3.0 |
| Staff/Other internal costs charged to Emerg/Resp | 11.7 | - | - | - | - | - | 11.7 |
| Less costs budgeted in Council activities | - | - | - | - | - | - | - |
| Total | 581.6 | 25.4 | 44.2 | 201.3 | 106.1 | 14.7 | 190.0 |
| Grand Total | 3,373.1 | 612.8 | 208.2 | 741.7 | 805.3 | 22.7 | 982.4 |

This table shows the same information as presented in the 2012/13 Draft Annual Plan (p42), with an expanded view of the forecast recoveries.

